

Message Text

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PAGE 01 THE HA 04916 291356Z

44

ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 AGR-05 CEA-01 CIAE-00 DODE-00

EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01

TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 /092 W

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R 290938Z SEP 75

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 6731

INFO USMISSION GENEVA

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: ETRD, GATT

SUBJECT: MTN DATE BASE-SUBSIDIES

REF: (A) STATE 204944; (B) STATE 209697; (C) HAGUE 1284, 3/19/75

1. AS REPORTED PARA 18 REF C NETHERLANDS HAS ADHERED TO EC CAP SYSTEM. WITH POSSIBLE EXCEPTIONS NOTED PARA 2 AND 4 BELOW, GON HAS NO NON-EC SANCTIONED (NATIONAL) EXPORT SUBSIDIES FOR AGRICULTURAL PRODUCTS. GON ASSISTANCE TO AGRICULTURAL SECTOR CONFINED TO AREAS SUCH AS: (A) EDUCATION; (B) ENCOURAGEMENT AND FINANCIAL SUPPORT TO COOPERATIVE; (C) SPECIAL HEALTH AND SOCIAL PROGRAMS FOR FARMERS; (D) INCENTIVIES THROUGH PARTIAL SUBSIDIZATION OF INTEREST PAYMENTS ON COMMERCIAL BANK LOANS TO FARMERS FOR CONSOLIDATION OF FARMS AND FOR UPGRADING OR BUILDING OF NEW ON-FARM STRUCTURES.

2. SUBSIDIES AND TAX RELIEF TO GREENHOUSE INDUSTRY. FOLLOWING 1973 ENERGY CRISIS GON IN ACCORDANCE WITH SPRING '74 EC GUIDELINES AGREED TO ASSIST THE GREENHOUSE INDUSTRY BY SUBSIDIZING UP TO 50 PERCENT OF AOIL PRICE INCREASE SINCE SEPT. '73. SINCE MAY '75
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PAGE 02 THE HA 04916 291356Z

SUBSIDY REDUCED TO 33 PERCENT. INITIALLY THIS AMOUNTED TO HFL

30 PER 1,000 LITERS LATER RAISED TO HFL 50 AND THEN HFL 60 PER 1,000 LITERS. DUE DROP IN OIL PRICES AND SUBSIDY PERCENTAGE CURRENT RATE IS HFL 37 AND HFL 39 FOR LIGHT AND HEAVY OIL, RESPECTIVELY. IN PRE-CRISIS DAYS, 30 TO 40 PERCENT OF CRISIS, GON OFFERED LOW-COST LOANS TO ENCOURAGE CONVERSIONS FROM OIL TO NATURAL GAS. AS RESULT ESTIMATED 80-85 PERCENT OF INDUSTRY NOW USES NATURAL GAS. ENERGY COSTS CONSTITUTE ABOUT 25 PERCENT OF ALL COSTS. SUBSEQUENTLY, GON ALSO AGREED TO PAY NATURAL GAS USERS AN AMOUNT EQUAL TO EXCISE TAX ON OIL WHICH HAD BEEN RESCINDED. AS PART OF LONG-RANGE SOLUTION TO SERIOUS ECONOMIC HARDSHIP INDUSTRY (PARTICULARLY THE OIL USING SECTOR) FACES AND RESULTING POLITICAL PRESSURES ON GON, IT WAS ALSO AGREED THAT SPECIAL LOWER PRICE FOR NATURAL GAS CHARGED TO INDUSTRY BY GON WOULD BE RAISED OVER NEXT 4 YEARS TO LEVEL OF OIL PRICES.

3. COMMENT. WITHOUT THESE EC-SANCTIONED MEASURES DUTCH VEGETABLES AND HORTICULTURAL PRODUCT PRODUCTION WOULD SIGNIFICANTLY SHRINK, THEREBY CAUSING NOT ONLY NEAR COLLAPSE OF GREENHOUSE INDUSTRY BUT ALSO SERIOUS ECONOMIC AND POLITICAL CRISIS. EC GUIDELINES IN THIS INSTANCE PROVIDE THE FRAMEWORK AND THEREBY LEGALITY FOR GON ACTION. AS MATTER OF POLICY GON CONSIDERS SUBSIDY AND EXCISE TAX RELIEF AS SOCIAL MEASURE AND NOT REPEAT NOT AS MEANS TO PROMOTE EXPORT OR CONCESSIONARY FINANCING FOR THE INVOLVED AGRICULTURAL PRODUCTS. GON TOTAL ANNUAL BUDGETARY OUTLAY AND FOREGOING OF EXCISE TAX REVENUES FOR PROGRAM HAS NOT BEEN PUBLISHED AND WOULD BE WELL NEAR IMPOSSIBLE TO COMPUTE FROM AVAILABLE STATISTICS. PROGRAM DOES NOT REPEAT NOT RESULT IN DIFFERENCE BETWEEN DOMESTIC AND EXPORT PRICE SINCE, IN THIS INSTANCE, THE LATTER IS DETERMINANT FACTOR.

4. FORCED BY SERIOUS ECONOMIC DIFFICULTIES, MAINLY IN 1974, THE DUTCH POULTRY INDUSTRY REQUESTED GON FINANCIAL AID ON SEVERAL ISSUES. MOST OF THE INDUSTRY'S WISHES WERE NOT GRANTED. HOWEVER, GON AGREED NOT REPEAT NOT CHARGE COST FOR GOVERNMENT VETERINARY EXPORT INSPECTION DURING JULY 1, 1975-FEB 28, 1976. TOTAL COST FOR THIS SUBSIDY 6 MILLION GUILDERS. THIS PROGRAM STRICTLY NATIONAL AND NOT UNDER ANY EC GUIDELINES OR REGULATIONS. ALTHOUGH THIS SUBSIDY IS NOT MEANT PER SE TO HELP PROMOTE EXPORT IT ENABLES DUTCH EXPORTERS TO EFFECTIVELY COMPETE WITH WEST GERMAN PRODUCERS. PLEASE NOTE THERE IS NO OBLIGATION TO HAVE POULTRY VETERINARY-LIMITED OFFICIAL USE

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PAGE 03 THE HA 04916 291356Z

INSPECTED IF SOLD DOMESTICALLY.
BROWN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE DATA, SUBSIDIES
Control Number: n/a
Copy: SINGLE
Draft Date: 29 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchantr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975THEHA04916
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750337-0231
From: THE HAGUE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975097/aaaaagck.tel
Line Count: 109
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION COME
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 204944, 75 STATE 209697
Review Action: RELEASED, APPROVED
Review Authority: buchantr
Review Comment: n/a
Review Content Flags:
Review Date: 23 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 APR 2003 by BoyleJA>; APPROVED <20 OCT 2003 by buchantr>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MTN DATE BASE-SUBSIDIES
TAGS: ETRD, GATT, MTN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006